

## Editorial

Latin American and Caribbean (LAC) countries are at a critical juncture. Just as the region was looking forward to a rebound in growth and a more sustainable development path after the pandemic, the current inflationary pressures and stark geopolitical tensions are throwing spanners in the regional recovery works. In parallel, LAC faces the challenge of implementing ambitious adaptation and mitigation strategies to address the climate emergency, while at the same time accelerating the pace of social, economic and institutional progress, all within narrowing fiscal space.

This 15<sup>th</sup> edition of the *Latin American Economic Outlook* (LEO 2022) argues that the green and just transition agenda is a unique opportunity for Latin America and the Caribbean to improve well-being for all, tackle inequalities, tap into new sources of employment and financing, and chart more sustainable and inclusive development pathways.

We need to act now. This ambitious agenda must protect and value the region's unique natural and renewable energy capital. Innovative industrial policies and green, blue and circular economy approaches can transform LAC's energy and production matrices, drive productivity growth and support the development of new economic sectors, while reducing greenhouse gas (GHG) emissions.

A green transition will not be possible, nor would it be desirable, unless it is just. A green and just transition should strengthen social protection systems, promote job formalisation and bridge existing gaps across socioeconomic groups, territories and generations. Active labour market policies are essential to provide people with the necessary skills and help them transition from brown to green industries, and from low-quality to better jobs.

A transition to a low-carbon and inclusive economy requires the mobilisation of vast amounts of financial resources. Fiscal policy, national and multilateral development banks, and the private sector will have to play a stronger and more co-ordinated role to catalyse investment, develop market instruments and regulatory tools, and compensate the most affected and vulnerable populations.

A legitimate and politically viable transition requires a broad consensus on its objectives, and proceeds through reforms that result from a collaborative and inclusive dialogue. This is particularly important in a region where support for green policies is high, but where trust in public institutions has seen a sharp erosion. It is therefore an opportunity to renew the social contract in the region.

New forms of cross-border partnerships and co-operation will be crucial, as national efforts will not suffice. Addressing climate change and de-carbonising economies require co-ordinated global action. Boosting international partnerships, in particular with the European Union as part of the Global Gateway, can help LAC adapt to the "greening" of trade norms and regulations, attract greater investment, access new technologies and decisively contribute to shaping global norms and actions.

This is a challenge we cannot fail to address, an opportunity not to be missed. We stand ready to work together to support the region's efforts, and trust that LEO 2022 provides a solid basis for the ambitious and inclusive policy dialogue ahead of us.

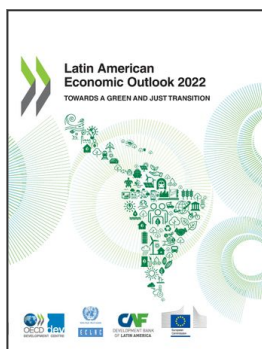
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